

Is the TSP Offering a Roth 401(k) Feature?

The TSP will begin to offer a Roth 401(k) feature in 2012. The Thrift Savings Plan Enhancement Act of 2009, part of Public Law 111-31, was signed into law by the President of the United States on June 22, 2009. The new law provides a number of changes to the TSP, including the provision for a “qualified Roth contribution program.”

What is a Roth 401(k)?

A Roth 401(k) feature in the TSP will combine all the benefits of TSP retirement savings with the after-tax benefits of a Roth savings plan. You will not get the benefits of tax-deferred savings (an upfront tax deduction) on your Roth contributions as you do with your traditional TSP contributions, but your Roth savings will grow tax-free. When you withdraw your Roth contributions and associated earnings in retirement, you will pay no Federal income taxes on them, as long as you are at least age 59½ and have been making Roth contributions for a minimum of 5 years.

Is everyone eligible to contribute to a TSP Roth 401(k)?

Yes. Unlike Roth IRAs, there are no income restrictions on contributions to the TSP Roth 401(k) feature, which will function like a Roth 401(k) plan.

Are there restrictions on how much I can contribute?

Yes. The limits on Roth contributions are the same as the IRS elective deferral limits. If you contribute to both the TSP Roth 401(k) and traditional tax-deferred contributions options, your combined contributions must not exceed the IRS elective deferral limit.

How do I know if the TSP Roth 401(k) is right for me?

When the time draws near to implement the TSP Roth 401(k), the TSP will make information available to help you decide whether Roth savings will benefit you (as compared to tax-deferred savings). In general, those participants who would benefit the most are: (1) those who anticipate being in a higher tax bracket in retirement than they are now, (2) those who want to diversify tax risk in the face of uncertain future tax rules, and (3) younger participants who have a long time to save and who will benefit the most from tax-free compounded earnings.

When can I begin making TSP Roth 401(k) contributions?

Employing agency payroll systems, the TSP record keeping and accounting systems, and the TSP website and educational materials will all have to be significantly modified to accommodate the Roth feature. The TSP expects to begin accepting contributions the second quarter of 2012.